

## Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 ( ISO ) W

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 4696

S E C R E T KINGSTON 1661

EXDIS; PASS OPIC

E.O. 11652: GDS

TAGS: EMIN PINT JM US

SUBJ: BAUXITE NEGOTIATIONS SITREP 44

1. INDUSTRY REPS AND GOVT NEGOTIATORS MET LAST EVENING IN AN AMICABLE, BUSINESSLIKE AND INCONCLUSIVE SESSION. INDUSTRY PRESENTED A PAPER THAT REVIEWED THE RECORD OF NEGOTIATIONS TO DATE AND INTRODUCED NEW PROPOSALS WHICH CONTINUED TO USE \$5.13 PER TON AS THE BASE FIGURE BUT EMPLOYING NEW ESCALATION CLAUSES DESIGNED TO PROTECT THE GOJ FROM EITHER A CHANGE IN THE RELATIVE VALUE OF JAMAICAN BAUXITE COMPARED TO THE VALUE OF PRIMARY ALUMINUM, OR A RADICAL INCREASE IN THE PROFITABILITY OF THE INDUSTRY. NEW FORMULA CONTAINS THREE ELEMENTS:

2. (A) PAYMENTS TO RISE OR FALL PROPORTIONALLY WITH CHANGES IN THE AVERAGED REALIZED PRICE FOR PRIMARY ALUMINUM INGOT FROM A BASE LEVEL OF 31.5 CENTS PER POUND. (B) ADDITIONAL PAYMENTS OF INCOME TAX IF INCOME FROM MINING BAUXITE INCREASES AS A RESULT OF THE PERIODIC REDETERMINATION OF THE VALUE OR TRANSFER PRICE OF JAMAICAN BAUXITE. (C) AN ESCALATION CLAUSE BASED ON YIELD RATHER THAN MARKET PRICE WHICH WOULD COME INTO EFFECT ABOVE 35 CENTS PER POUND.

3. ACCORDING TO THE INDUSTRY THE NET EFFECT OF ITS FORMULA WOULD LIKE TO BRING GOVT REVENUES TO APPROX \$10.26 PER TONE OF BAUXITE MINED AT A PRICE OF 42 CENTS PER POUND OF PRIMARY METAL. THIS FIGURE WOULD BE MUCH CLOSER, OF COURSE, TO THE GOVVOOJS INITIAL DEMANDS THAN IT WOULD BE POSSIBLE TO GO AT A PRICE OF 31.5 CENTS

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PER POUND OF METAL.

4. GOVT REJECTED THE INDUSTRY OFFER IN THE COURSE OF LAST NIGHT'S MEETING BUT ITS GROUNDS FOR DOING SO WERE NOT ENTIRELY CLEAR. TWO CONCERNS SEEMED INVOLVED. ONE WAS THE OLD CONVICTION THAT 3.5 PERCENT OF THE PRICE OF PRIMARY METAL IS SIMPLY NOT ENOUGH EVEN AT THE 31.5 CENTS PER POUND PRICE. THE OTHER WAS APPARENTLY A VAGUE CONCERN THAT THE INDUSTRY'S FORMULA WAS LESS SUBJECT TO VERIFICATION AND MORE OPEN TO MANIPULATION THAN A FORMULA SIMPLY BASED ON REALIZED PRICES IN EITHER WORLD OR US MARKETS. THE REASONS FOR THIS CONCERN ARE PROBABLY NOT ENTIRELY OBJECTIVE SINCE THE INDUSTRY PROPOSAL BASES ITS FORMULA ON SEC 10-K REPORTS WITH WHICH THE GOJ IS THOROUGHLY FAMILIAR AND WHICH IT HAS USED TO CONSTRUCT PARTS OF ITS OWN CASE. NEVERTHELESS, THIS SEEMED TO BE ONE OF THE FEATURES BOTHERING THE GOJ NEGOTIATORS.

5. ROSE REPORTED TO CHARGE THIS MORNING THAT LAST NIGHT'S PERFORMANCE BY GOJ NEGOTIATORS WAS THE POOREST THEY HAD PUT ON SINCE THE BEGINNING OF THE NEGOTIATIONS. ACCORDING TO ROSE, THEY WERE UNCOORDINATED, ILL-PREPARED, AND ARMED WITH WEAK ARGUMENTS. HE SAID THAT MATALON SPOKE ONLY ONCE AND WITHOUT HIS USUAL BLUSTER. THE BULK OF THE ARGUMENTATION WAS CARRIED OUT BY RICHARDSON, WHO, ROSE SAID, SEEMED GENUINELY TO BE CASTING ABOUT FOR A SOLUTION EVEN THOUGH UNABLE TO FIND ONE.

6. NO NEW MEETINGS WERE SCHEDULED AFTER LAST NIGHT'S SESSION BUT BOTH SIDES MADE CLEAR THAT THEY WERE REMAINING AND WOULD BE AVAILABLE AT THE INITIATIVE OF THE OTHER SIDE. INDUSTRY REPS WERE CONSIDERING HOW TO REOPEN DISCUSSIONS THIS MORNING WHEN THEY RECEIVED A CALL FROM ANGUS, SECRETARY TO THE BAUXITE COMMISSION, SUMMONING THEM TO A MEETING AT 10:00 AM. THIS MEETING NOW IN PROGRESS.

7. A COPY OF THE PAPER PRESENTED BY INDUSTRY LAST EVENING, WHICH IS QUITE LENGTHY, IS BEING FORWARDED IN TOMORROW'S CLASSIFIED POUCH.  
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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BAUXITE, MINING INDUSTRY, NEGOTIATIONS, PRICE TRENDS, MEETINGS, PROPOSALS (BID)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 MAY 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GarlanWA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Enclosure:** n/a  
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**Office:** ACTION SS  
**Original Classification:** SECRET  
**Original Handling Restrictions:** EXDIS  
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**Page Count:** 2  
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**Previous Handling Restrictions:** EXDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GarlanWA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17 SEP 2002 by kelleyw0>; APPROVED <13 FEB 2003 by GarlanWA>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BAUXITE NEGOTIATIONS SITREP 44  
**TAGS:** EMIN, PINT, JM, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005